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The Director of Central Intelligence

Washington, D.C. 20505

Executive Registry

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26 January 1985

Dear Bob,

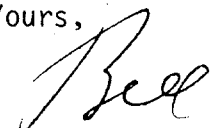
Thanks for your note telling me that David Ignatius did run the house anecdote by George Lauder. I knew that because George checked it with me and I confirmed the "Remember Pearl Harbor" quote. But the anecdote turned the whole thing around stating that I had tried to take the house away from somebody else rather than the reverse, and it also implied I had been punished by losing the house. Thus, the anecdote was totally wrong although the quote was accurate. It was just misused.

I hope that you and Dave will understand there are no hard feelings about this. I have no desire to embarrass anyone - it is simply a policy of clarifying the record when it can be appropriately done. Too frequently I am not in a position to do that.

I am glad you struck out the last kind of wisecrack I threw in as the last sentence in the letter.

Best regards.

Yours,


William J. Casey

Mr. Robert L. Bartley
Editor
The Wall Street Journal
22 Cortlandt Street
New York, New York 10007

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THE WALL STREET JOURNAL

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ROBERT L. BARTLEY

January 21, 1985

Dear Bill:

On the letter to the editor we published from you last week, I wanted you to know that David Ignatius did run the house anecdote by George Lauder. I am not trying to complain, let alone cause any trouble for George. Obviously there was some kind of misunderstanding, but I wanted you to know that David is not the kind of reporter who uses these things off the wall.

Best regards,



RLB:kmo

Mr. William J. Casey
Director
Central Intelligence Agency
Room 7E12
Washington, D.C. 20505

Washington, D.C. 20505

15 January 1985

Mr. Robert Bartley
Editor, The Wall Street Journal
22 Cortlandt Street
New York, New York 10007

Dear Bob:

Here is my letter to the editor on last Friday's Ignatius article. I enclose also the talk on what's happening in the Third World which I gave at The Union League Club in New York last week.

Sincerely,

William J. Casey

Enclosures (2)

The Director of Central Intelligence

Washington, D.C. 20505

16 January 1985

The Editor
The Wall Street Journal
22 Cortlandt Street
New York, New York 10007

To the Editor:

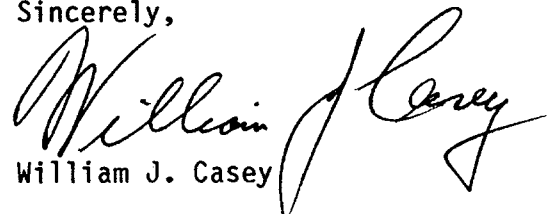
I am complimented that the JOURNAL devoted a front-page article to me on January 11; however, Mr. Ignatius started out flat wrong in his story that many years ago I tried to purchase a house already promised to the Japanese embassy and that the "brash Mr. Casey didn't get the house." He got the story upside down. Not only did I "get the house" and live happily in it for seven years, but the Japanese embassy had tried to purchase the house that had been promised to me--not the other way around!

Mr. Ignatius also claims that I sent one particular estimate "back for revision nine times." The record is that I saw and commented on the last two drafts. What happened was that the analyst who drafted the estimate, based on his 20 years of experience in the region and months of research and visits to the area, felt that deletions made by another staff officer would alter or suppress significant information and judgments at which the analyst had arrived. My role was to restore some of the deletions to ensure that, on a controversial subject, the policymakers got the full range of judgments prevailing in the American Intelligence Community. The estimate was approved unanimously by the heads of all the members of the Intelligence Community. The production of this estimate was reviewed by the House Intelligence Committee which concluded last week in its annual report that: "dissenting views were printed at the very beginning of the study, a practice the Committee applauds."

While I cannot comment on Mr. Ignatius' allegations attributing certain covert activities to me, your readers should know that any such activity must be directed, authorized and funded by those in the Executive Branch responsible for our national security and the Congress as well.

What would the JOURNAL say about a CIA report so imprecise?

Sincerely,


William J. Casey

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REMARKS OF WILLIAM J. CASEY

DIRECTOR OF CENTRAL INTELLIGENCE

before

THE UNION LEAGUE CLUB

The Union League Club

New York City

Wednesday, 9 January 1985

It is a special pleasure for me to speak at this important forum covering public policy for almost a century and a quarter and I'm here as a member of this club. I hope my dues are up to date. The club seem to be doing alright with or without my dues. I see Abraham Lincoln looking down on me and I think he'll understand if I speak about human rights. We are challenged today by flagrant abuses of human rights in Africa, Asia and Latin America which are massive and laden with a horror unequaled since the Nazi holocaust of forty years ago. The horror of the wars and brutal repression inflicted by Marxist-Leninist regimes is compounded by the failure and devastation wrought by the bankruptcy of Marxist-Leninist economic and political policies wherever they prevail. All this, with its enormous implications for our national security, and in the challenge and opportunity it presents to the free world is widely ignored--to a degree which we can only find appalling if we appreciate the true nature and dimension of what is happening from Ethiopia to Afghanistan to Cambodia and to our own hemisphere. That's what I want to lay out for you today.

Where should one start on so sweeping a phenomenon? In the aftermath of the Geneva talks and the hope that they have laid the groundwork for a gradual scaling down of the nuclear monster, I would go back 20 years to a warning Nikita Khrushchev gave the world. He proclaimed that Communism would win not by nuclear war which might destroy the world, nor by conventional war which might lead to nuclear war, but by national wars of liberation. In those 20 years, the Soviet Union was transformed from a continental power to

a global power, acquiring bases and surrogates in Cuba, Vietnam, Ethiopia, Angola, South Yemen, Mozambique, Nicaragua and Afghanistan. Their navy has secured the use of harbors, airports, communications stations, or port of call rights in some 14 nations. In a mere ten years, the number of Warsaw Pact and Cuban troops, military advisors and technicians stationed in Third World countries increased an incredible 500 percent. They have expanded their reach to a number of countries near the strategic choke points of the West--the Panama Canal, the Straits of Gibraltar, the Suez Canal, the Strait of Hormuz, the entrance to the Red Sea, and from Can Rahn Bay in Vietnam to the sea lanes of East Asia.

Elsewhere, Marxist-Leninist policies and tactics have unleashed the four horses of the apocalypse--famine, pestilence, war and death. Throughout the Third World we see famine in Africa, pestilence through chemical and biological agents in Afghanistan and Indo-China, war on three continents, and death everywhere.

The horror of what has been happening calls for a closer look. Apart from a few islands of vitality, mostly in East Asia, less impressive in Latin America and Africa, we see countries like Afghanistan, Angola, and Cambodia kept under control by more than 300,000 Soviet, Cuban and Vietnamese troops. We will see half a dozen other countries--Ethiopia, Nicaragua, South Yemen, Cuba and Vietnam--controlled by committed Marxist-Leninist governments with military and population control assistance from the East bloc. Most of the other countries in the Third World are suffering some degree of stagnation, impoverishment or famine.

What do we see in the occupied countries--Afghanistan, Cambodia, Ethiopia, Angola, Nicaragua--in which Marxist regimes have been either imposed or maintained by external forces? In the aggregate there has occurred a holocaust comparable to that which Nazi Germany inflicted in Europe some 40 years ago. Over four million Afghans, more than one-quarter of the population, have had to flee their country into Pakistan and Iran. The Helsinki Watch tells us that they have fled because "the crimes of indiscriminate warfare are combined with the worst excesses of unbridled state-sanctioned violence against civilians." It cites evidence of "civilians burned alive, dynamited, beheaded; crushed by Soviet tanks; grenades thrown into rooms where women and children have been told to wait...From throughout the country come tales of death on every scale of horror, from thousands of civilians buried in the rubble left by fleets of bombers to a young boy's throat being dispassionately slit by occupying soldiers." Tens of thousands of children have been taken from their parents and sent outside of the country for reeducation.

In Cambodia, 2-3 million people, something like one-quarter of the pre-war population, have been killed in the most violent and brutal manner by both internal and external Marxist forces. The invasion of the country by the Vietnamese army in 1978 and the scorched earth policy adopted then created a famine. When international relief agencies, including the Red Cross and the International Rescue Committee, tried to feed the starving population by a "land bridge" of trucks coming in from Thailand, the Vietnamese government blocked them. We estimate that some 350,000 civilians died in that year.

In Nicaragua, our Department of State has reported--and intelligence sources confirm--widespread violations of basic human rights. The International League for Human Rights has stated that the Sandinistas have forcibly relocated up to 14,500 Indians and completely destroyed entire villages. In late 1983, some 200 members of one of the largest non-Marxist political parties, the Democratic Conservative Party, were in jail for political activities. Censorship is extensive, opposition leaders have been prevented from traveling abroad, people in the cities are organized block-by-block and kept under the scrutiny and control of a system of neighbor informers based on the Cuban system.

Angola is an economic basket case as a Marxist government is kept in power by the presence of 30,000 Cuban troops. In all these countries the indigenous army formed by the Marxist government suffers large and continuing desertions to the resistance and is almost entirely ineffective.

In Ethiopia, a Marxist military government is supported with extensive military support from Moscow and thousands of Cuban troops as it spends itself into bankruptcy trying unsuccessfully to extinguish opposition in its northern provinces. By collectivizing agriculture, creating state farms and collectives, and keeping food prices low in order to maintain urban support, it has exacerbated a famine which threatens the lives of millions of its citizens. It has blocked emergency food deliveries to the hungry remote areas, particularly those in provinces where insurgencies are active. It has exploited the famine by using food as a weapon. In urban areas, for example, food rations are distributed through party cells. In government-controlled emergency feeding stations, incoming victims must be registered

and certified by party authorities. The government is using the drought and famine as an excuse to forceably relocate tens of thousands of victims from northern provinces hundreds of miles to the south, without any evident efforts to receive them in the new camps.

Cuba, Vietnam, Ethiopia, Angola, and Nicaragua, all economic basket cases, receive in the aggregate five to six billion dollars in military and economic aid from the Soviet Union. This enables Vietnam to maintain the fourth largest army in the world, Ethiopia the largest army in Africa, Cuba the second most powerful military apparatus in the Western Hemisphere, Nicaragua a military force larger than all its Central American neighbors put together. There are over 100,000 Soviet troops in Afghanistan, 170,000 Vietnamese troops in Cambodia, 40,000 Cuban troops in Africa. This is worldwide military aggression directly and by proxy. That and the horror of it is the bad news.

The good news is that the tide has changed. Today in Afghanistan, Angola, Cambodia, Ethiopia, and Nicaragua, to mention only the most prominent arenas, hundreds of thousands of ordinary people are volunteers in irregular wars against the Soviet Army or Soviet-supported regimes. Whereas in the 1960s and 1970s anti-Western causes attracted recruits throughout the Third World, the 1980s have emerged as the decade of freedom fighters resisting Communist regimes. In many places, freedom has become as exciting and revolutionary as it was here in America over 200 years ago.

Despite this reversal of momentum, the Communists continue to come on strong to consolidate the positions they have established. They are spending close to \$8 billion a year to snuff out freedom in these countries.

It is not necessary to match this in money, manpower or military weapons. Oppressed people want freedom and are fighting for it. They need only modest support and strength of purpose from nations which want to see freedom prevail and which will find their own security impaired if it doesn't.

The Communists have this strength of purpose but not the means to consolidate the far off positions they have established if the local resistance can count on durable support. In Afghanistan, Communist strategy is to keep at bay and grind down the resistance, to isolate it from the mass of the population or drive larger numbers out of the country, and to slowly build up a Communist civil-military infrastructure through training, indoctrination, and cooption--counting on a perception there and abroad of inevitable victory. In Nicaragua, they are piling in weapons to extinguish the armed resistance, cracking down on the political opposition and pushing negotiations to cut off outside support and influence in order to buy time to consolidate their first base on the American mainland.

Now let me turn to what's happening in the unoccupied Third World countries. There, too, the Marxist economic model has failed. Third World leaders have become disillusioned with Marxist-style economics. They have discovered that Communist countries supply only meager amounts of economic

aid and are unable to offer significant markets for Third World goods. Last year, Moscow's commercial trade with the Third World was less than that of South Korea!

The Communist model of tight, centralized control is the major cause of the economic stagnation in many countries. The state-owned industries became highly inefficient, while collectivization of agriculture lowered the incentive to produce food and increased migration to already over-burdened cities. Many Third World countries have found themselves increasingly dependent on imported grain. In fact, like Russia itself, some Third World countries that once were grain exporters now find themselves buying grain abroad.

The contrast between North and South Korea as well as the experience of newly industrialized economies such as Singapore, Hong Kong, Taiwan, and Brazil have not been lost on Third World leaders. Both North and South Korea share a common cultural heritage, indeed both share a small peninsula. Yet from 1976 to 1983, South Korea's GDP grew some 7 percent a year while North Korea's growth was a paltry 1.7 percent. Export-led growth in the newly industrialized countries have raised their per capita Gross National Product to \$2,400, more than three times the average of the rest of the Third World.

The experience of the Third World in the last 30 years indicates that while elements of economic progress cannot be easily pinpointed, the private sector is the crucial link. Only private initiative can marshal the

entrepreneurial resources necessary for sustained growth. Third World countries need an economic environment that rewards individuals for their hard work and their creativity.

They need to give the same fair treatment to foreign and domestic investment. Foreign investment brings more to a developing nation than just money. It brings technology, training, management, skills, and marketing links. Foreign assistance should be used to supplement domestic savings. We have seen that too much reliance on foreign assistance breeds dependency. Trade must also be developed. Third World countries need exchange rates that favor exporters rather than importers.

There are signs that many Third World countries are beginning to reassess their economic policies. Investment barriers in some places are beginning to be eased. A growing number of countries are making innovative use of export processing zones and joint ventures.

Public perceptions toward government regulatory practices and public employment are also changing. State-owned enterprises have been turned over to private firms in: Pakistan, Somalia, Sudan, Zaire, The Philippines, Jamaica, and Chile. Free markets have sprung up in China and Algeria. Farmers in China now sign contracts with the state on what they will produce and market their surplus freely. This has been a economic boon to the countryside where for the past three years production has jumped over 30 percent and rural income has climbed rapidly. State farms have been dismantled in Mozambique, Mali, and Zambia. Bangladesh is turning from government to private channels to distribute fertilizer.

"Second economies" are springing up and beginning to be recognized as helpful to economic development and also as a cushion during hard times. In Peru, where it takes scores of permits to do business, a second "freer" economy has grown to the point that it is nearly 50 percent larger than the legal economy.

This changing climate presents significant economic opportunities for the United States. We can help by promoting small-scale enterprises within the Third World. Third World countries have often ignored the beneficial impact of small businesses and even cottage industries. Yet these businesses help achieve government goals through industrial decentralization, employment generation, and income redistribution in rural areas. Small-scale, domestically-oriented entrepreneurs help create a critical mass in terms of economic progress. Entrepreneurs flourished in many West African countries until government policies dampened their efforts. Likewise, Central America, especially El Salvador, was fertile ground for beginning entrepreneurs until their gains were set back by political turmoil.

In order to make the most of this increasingly important evolutionary and grass roots development process, we need to reorder economic aid programs so that more assistance reaches the small-scale entrepreneur and the flow of private capital, technology and skill to less developed countries is stimulated.

We can also use foreign capital to help state enterprises become more efficient and find ways to relinquish some functions to the private sector; we can strengthen our trade, finance and investment links to less developed countries based upon a growing mutuality of economic interest.

The forces at play here have security implications as well. They can strengthen the West's position relative to that of the Communist Bloc in the Third World. Soviet domestic economic and foreign financial constraints over the next ten years will make Moscow even less able to compete in nonmilitary sectors. At the same time, Western security interests will often coincide with opportunities for economic support, and security assistance can reinforce the willingness and ability of lesser developed countries to bring in and develop capital, technology and needed skills.

I don't want to leave you with the impression that all the problems and threats we find around the world stem from Moscow or even from Marxist-Leninist doctrines. In Africa, not only Marxist Ethiopia but all across Sub-Saharan Africa, at least 14 million people, possibly more, face permanent disability and even death from famine during this year. The whole civilized world faces a scourge of international terrorism. These perils are so imminent and severe that they cry out for coherent international action.

We have launched the "African Hunger Relief Initiative" to relieve famine in several African countries. Our country does not have the food resources to meet African aid requirements fully but with other Western countries enough food can be pulled together. However, African ports and poor ground transportation can't distribute all the food that is required. It will take Western equipment, technical assistance and air transport to meet the needs of millions of people living in rural and remote locations. It can be done but it will take leadership and a degree of cohesion and

cooperation which Western nations with their legislative and budget limitations find it difficult to achieve. But the need cries for all-out action to work through the necessary procedural steps as early this year as possible.

The continent-wide African food crisis will continue into 1986 and beyond. Large populations will continue at risk because of declining agricultural production, continuing civil wars and continuing failure to achieve agricultural reform and development. We have the knowledge and technical ability to restore African food productivity. Western nations generally agree on the urgency of improvements in agricultural pricing, elimination of state controlled marketing boards and collectivized agriculture, as well as restructuring economic priorities in favor of food producers instead of urban populations.

The several threads of our current policy such as pressing for meaningful reforms from recipient governments, offering new forms and amounts of assistance, and moving quickly could all be brought together in a major, coordinated rescue effort. We have here an opportunity not only to save many lives but to generate a new wave of progress which would demonstrate for all peoples the fundamental superiority of free market policies and practices over statist models. A dramatic and effective response to the food crisis could serve to galvanize our efforts to generally reorient Western foreign assistance programs toward the free enterprise development approaches President Reagan outlined at Cancun in 1982.

Similarly, international terrorism calls for concerted action. We face here a new weapons system which is dissolving the boundary between war and peace. We've seen it move from plastic charges to assassinations, to highjacking, to car bombs, and we worry about nuclear and biological terrorism. This terrorism has a home in North Korea, Iran, Libya, Bulgaria. It is increasingly used as a foreign policy instrument of sovereign states. This weapons system, this foreign policy instrument must not be allowed to work. The implications are too ominous.

American citizens and installations abroad are the primary targets. Qadhafi recently assigned his most radical advisors to increase Libya's capabilities for terrorist operations in Latin America, to strengthen leftist militants and to promote anti-US actions there. He clearly intends to launch a more aggressive effort to undermine US interests in this hemisphere.

Today there is no more urgent task for statesmanship than to develop an effective way to check rampant terrorism through improved security, intelligence gathering, retaliation and preemption against specific targets, and by imposing political isolation and economic squeeze on states sponsoring terrorism. To be effective the response to terrorism must be a concerted one on the part of all civilized and peace-loving states. We got together to develop defenses against airplane highjacking in the seventies. We are already late in achieving international cooperation against today's more widespread and virulent international terrorism.

There's no time left to deal with the enormous burden of debt, or rapidly growing population straining resources. But I would conclude by re-emphasizing that none of these problems can be handled unless more advanced countries step up to counter politically motivated violence and to re-energize constructive economic forces in what promises in the years ahead to be the major battleground between those who want to see freedom prevail and those who want to extinguish it.

Thank you.